



PROPOSED RULE MAKING

CR-102 (June 2004)

(Implements RCW 34.05.320)

Do NOT use for expedited rule making

Agency: Department of Retirement Systems

- ☒ Preproposal Statement of Inquiry was filed as WSR 06-08-073 ; or
☐ Expedited Rule Making--Proposed notice was filed as WSR _____ ; or
☐ Proposal is exempt under RCW 34.05.310(4).

- ☒ Original Notice
☐ Supplemental Notice to WSR _____
☐ Continuance of WSR _____

Title of rule and other identifying information: (Describe Subject)

WAC 415-108-805, What is the PERS Plan 1 minimum allowance?

WAC 415-112-555, What is the TRS Plan 1 minimum allowance?

Hearing location(s):

Department of Retirement Systems
6835 Capitol Blvd.; Conference Room 115
Tumwater, Washington

Date: November 22, 2006 Time: 2:30 pm

Date of intended adoption: November 23, 2006

(Note: This is NOT the effective date)

Submit written comments to:

Jeff Wickman, Strategic Initiatives Manager
Department of Retirement Systems
P.O. Box 48380; Olympia, WA. 98504-8380
Email: jeffw@drs.wa.gov or Fax: (360) 753-3166 by
5:00 pm on November 22, 2006

Assistance for persons with disabilities:

Tresha Coleman by November 14, 2006
TDD (360) 664-7291 TTY (360) 586-5450
Phone (360) 664-7288

Purpose of the proposal and its anticipated effects, including any changes in existing rules:

RCW 41.32.4851 and 41.40.1984 provide a minimum allowance to qualifying retirees of the Teachers' Retirement System (TRS) and the Public Employees' Retirement System (PERS). SB 6453 changed these RCWS so that the minimum allowance now increases by 3% on July 1 of each year, and eligibility is extended to PERS and TRS Plan 1 retirees with twenty or more years of TRS service credit who have been retired at least twenty-five years. The department is proposing amendments that reflect these changes.

Reasons supporting proposal:

Statutory authority for adoption: RCW 41.50.050(5)

Statute being implemented: RCW 41.32.4851 and
41.40.1984

Is rule necessary because of a:

Federal Law? ☐ Yes ☒ No

Federal Court Decision? ☐ Yes ☒ No

State Court Decision? ☐ Yes ☒ No

If yes, CITATION:

DATE

October 4, 2006

NAME Leslie Saeger

SIGNATURE

TITLE Rules Coordinator

CODE REVISER USE ONLY

CODE REVISER'S OFFICE
STATE OF WASHINGTON
FILED

OCT 5 2006

TIME

WSR

1:48

06-21-004

AM

PM

(COMPLETE REVERSE SIDE)

Agency comments or recommendations, if any, as to statutory language, implementation, enforcement, and fiscal matters:

Name of proponent: (person or organization)
Department of Retirement Systems

☐ Private
☐ Public
☒ Governmental

Name of agency personnel responsible for:

Name	Office Location	Phone
Drafting..... Jeff Wickman	PO Box 48380, Olympia, WA 98504-8380	(360) 664-7303
Implementation.... Dave Nelsen	PO Box 48380, Olympia, WA 98504-8380	(360) 664-7303
Enforcement..... Dave Nelsen	PO Box 48380, Olympia, WA 98504-8380	(360) 664-7303

Has a small business economic impact statement been prepared under chapter 19.85 RCW?

☐ Yes. Attach copy of small business economic impact statement.

A copy of the statement may be obtained by contacting:

Name:

Address:

phone () _____

fax () _____

e-mail _____

☒ No. Explain why no statement was prepared.

These rules have no effect on businesses.

Is a cost-benefit analysis required under RCW 34.05.328?

☐ Yes A preliminary cost-benefit analysis may be obtained by contacting:

Name:

Address:

phone () _____

fax () _____

e-mail _____

☒ No: Please explain:

The Department of Retirement Systems is not one of the named departments in this section (RCW 34.05.328)

AMENDATORY SECTION (Amending WSR 04-20-004, filed 9/23/04, effective 10/24/04)

WAC 415-108-805 What is the PERS Plan 1 (~~"adjusted"~~) minimum (~~"benefit"~~) allowance? (~~((RCW 41.40.1984 entitles certain PERS Plan 1 retirees and beneficiaries to a minimum benefit of one thousand dollars, adjusted by the same actuarial reduction factors as were used to calculate their benefit at the time of retirement; or for beneficiaries, at the time benefit payments commenced.~~

~~(1) Do I qualify for the adjusted minimum benefit?~~

~~(a) Except as provided in (b) of this subsection:~~

~~(i) You qualify if you are a PERS Plan 1 retiree and you:~~

~~(A) Have at least twenty five years of PERS service credit;~~

~~(B) Have been retired at least twenty years; and~~

~~(C) Have a current retirement benefit, including adjustments, that is less than the amount of the adjusted minimum benefit.~~

~~(ii) You qualify if you are a PERS Plan 1 member's beneficiary, as defined in RCW 41.40.010 (14)(a), and:~~

~~(A) The member had at least twenty five years of PERS service credit;~~

~~(B) The member and/or beneficiary have been receiving benefits for at least twenty years; and~~

~~(C) Your current retirement benefit, including adjustments, is less than the amount of the adjusted minimum benefit.~~

~~(b) You do not qualify if you are a retiree or beneficiary who receives a duty disability retirement allowance under RCW 41.40.220(1) or a statewide cities employee's retirement duty disability retirement allowance under RCW 41.44.170 (3) or (5).~~

~~(2) How is the amount of the adjusted minimum benefit calculated?~~ The benefit calculation starts with one thousand dollars and is adjusted by the same factors that were used to calculate the benefit at the time of retirement.

~~(3) What factors are used to calculate the amount of the adjusted minimum benefit?~~ The factors used to calculate the minimum benefit are:

~~(a) Annuity withdrawal;~~

~~(b) Early retirement;~~

~~(c) Automatic cost of living (COLA) increases chosen at retirement;~~

~~(d) Joint survivor option chosen at retirement;~~

~~(e) Extra contributions made by the member;~~

~~(f) Survivor percentage. See Example 2 in this subsection.~~

~~Example 1: At the time of retirement, Bill withdrew his contributions and chose a joint and 50% survivor option, with Betty as his beneficiary. The one thousand dollar minimum benefit will be adjusted by the same factors that were used to calculate Bill's original benefit, as follows:~~

Minimum benefit per RCW 41.32.4851	\$1000.00
Reduction for contribution withdrawal	-\$140.00
Adjustment for the joint survivor option	-\$129.00
Bill's adjusted minimum benefit	\$731.00

~~Example 2: Betty is Bill's beneficiary. After Bill's death, Betty receives 50% of the amount of his benefit. For Betty, the \$1,000 minimum benefit will be adjusted by the same factors that were used to calculate Bill's original benefit, and also by the survivor percentage (50%) chosen at the time of Bill's retirement:~~

Minimum benefit per RCW 41.32.4851	\$1000.00
Reduction for contribution withdrawal	-\$140.00
Adjustment for the joint survivor option	-\$129.00
Retiree's adjusted minimum benefit as calculated in Example 1	\$731.00
Survivor percentage (which, in this case, is 50% because of the survivor option selected at the time of retirement)	-\$365.50
Betty's adjusted minimum benefit	\$365.50

~~See WAC 415 02 300 through 415 02 380 for the tables, schedules, and factors the department uses to calculate benefits.~~

~~(4) If the adjusted minimum benefit is less than my current benefit, will my benefit be reduced?~~ No, the department will compare the amount of the adjusted minimum benefit to your current benefit. You will always receive the higher of the two benefits.

~~(5) If I qualify for the adjusted minimum benefit, when will I begin to receive the higher benefit?~~

~~(a) If you meet the requirements as of July 1, 2004, you will begin receiving the adjusted minimum benefit, in lieu of your regular benefit, at the end of July 2004.~~

~~(b) If you qualify after July 1, 2004, you will automatically begin receiving the adjusted minimum benefit, in lieu of your regular benefit, at the end of the month in which you qualify.~~

~~(6) Will I continue to get cost of living increases (COLAs) if I receive the adjusted minimum benefit? No. Under the provisions of RCW 41.40.1984, the adjusted minimum benefit will not be adjusted for COLAs.~~

~~(7) How long will I continue to receive the adjusted minimum benefit? You will receive the adjusted minimum benefit until your original retirement benefit, plus on going adjustments, exceeds the adjusted minimum benefit. At that time you will automatically start receiving the higher benefit.~~

~~Example: Joe retired with a survivor option, requiring an actuarial reduction of his monthly benefit (87% of full allowance). He received a 3% COLA each year. In 2004, Joe's retirement benefit was \$806.25. The following table shows how his benefit is compared to the adjusted minimum benefit from 2004 through 2008.~~

	Regular Benefit (including COLAs)	Adjusted Minimum Benefit (Fixed - No COLAs added)	Actual Amount Joe Received
2004	\$806.25 (benefit + COLAs)	\$870 (\$1,000 x .87)	\$870
2005	\$830.44 (\$806.25 + COLA)	\$870 (\$1,000 x .87)	\$870
2006	\$855.35 (\$830.44 + COLA)	\$870 (\$1,000 x .87)	\$870
2007	\$881.01 (\$855.35 + COLA)	No longer applicable	\$881.01
2008	\$907.44 (\$881.01 + COLA)	No longer applicable	\$907.44

~~This example assumes a three percent annual COLA.)) RCW 41.40.1984 entitles certain PERS Plan 1 retirees and beneficiaries to a minimum monthly allowance. Subsection (3) of this section provides the amount of the minimum allowance and explains how it may be adjusted.~~

~~(1) Do I qualify for the minimum allowance? Except as provided in subsection (2) of this section:~~

~~(a) You qualify if your current monthly allowance, excluding any amount you receive for an additional (optional) annuity based on extra contributions, is less than the minimum allowance calculated under subsection (3) of this section, and:~~

~~(i) You have twenty-five or more years of PERS Plan 1 service credit and have been retired at least twenty years; or~~

~~(ii) You have twenty or more years of PERS Plan 1 service credit and have been retired at least twenty-five years.~~

~~(b) You qualify if you are a PERS Plan 1 member's survivor beneficiary under WAC 415-108-326 and your current monthly allowance is less than the minimum allowance calculated under subsection (3) of this section, provided:~~

~~(i) The member had twenty-five or more years of PERS Plan 1 service credit and retired at least twenty years ago; or~~

~~(ii) The member had twenty or more years of PERS Plan 1~~

service credit and retired at least twenty-five years ago.

(2) Do I qualify if I receive a duty disability allowance?
You do not qualify to receive the minimum allowance provided by this rule if you are a:

(a) Retiree currently receiving a duty disability retirement allowance under RCW 41.40.220(1);

(b) Retiree currently receiving a statewide city employees' retirement system duty disability retirement allowance under RCW 41.44.170(3); or

(c) Beneficiary currently receiving an allowance under RCW 41.44.170(5).

(3) How much is the minimum allowance in RCW 41.40.1984, and how is it adjusted?

(a) Minimum allowance. The minimum allowance prior to July 1, 2006, was \$1000. On July 1, 2006, and each July 1 thereafter, the minimum allowance increases by three percent, rounded to the nearest cent.

(b) Adjustment. The minimum allowance in (a) of this subsection will be adjusted each July by the same factors that were otherwise used in the calculation of your monthly allowance, including, but not limited to:

(i) Early retirement;

(ii) Automatic cost-of-living (COLA) increases chosen at retirement;

(iii) Benefit option chosen at retirement (see WAC 415-108-326);

(iv) Survivor percentage. See Example 2 in this subsection.

Example 1: Bob retired in August 1986 with twenty-five years of service credit. Bob chose benefit option three, so that his wife, Betty, would receive a monthly allowance equal to 50% of his allowance after his death. In August 2006, Bob became eligible for the minimum allowance, calculated as follows:

Minimum allowance in August 2006 =

\$1,030.00

Minimum allowance, actuarially reduced
for benefit option three

\$1,030 x 0.87 (benefit option factor based on the difference in
age between Bob and Betty) =

\$896.10

Example 2: When Bob died in August 2009, Betty's allowance was calculated using the minimum allowance in effect on the date of Bob's death. The minimum allowance was adjusted by the same factors used to calculate Bob's allowance at retirement and also by the survivor percentage (50%) chosen when Bob retired.

Minimum allowance in August 2009	(includes a 3% per year increase)	\$1,125.51
Actuarially reduced for benefit option three	$\$1,125.51 \times 0.87 =$	\$979.19
≡		
Betty's adjusted minimum allowance	(50% of the allowance Bob was receiving)	\$489.60

The tables, schedules, and factors the department currently uses to calculate benefits are located in WAC 415-02-300 through 415-02-380. However, factors have changed over time, and your minimum allowance will be adjusted using the same factors that were used to calculate your current monthly allowance.

(4) If the minimum allowance is less than my current monthly allowance, will my monthly allowance be reduced? The department will compare the amount of the minimum allowance calculated under subsection (3) of this section with your current monthly allowance. You will always receive the higher of the two benefits.

(5) If I qualify for the minimum allowance, when will I begin to receive it?

(a) If your eligibility is based on meeting the requirements of subsection (1)(a)(i) or (b)(i) of this section, and:

(i) You were eligible on July 1, 2004, you began receiving the minimum allowance in effect at that time, in lieu of your regular monthly allowance, in July 2004.

(ii) You become eligible after July 1, 2004, you will begin receiving the minimum allowance, in lieu of your regular monthly allowance, the month in which you qualify.

(b) If your eligibility is based on meeting the requirements of subsection (1)(a)(ii) or (b)(ii) of this section, and:

(i) You were eligible on July 1, 2006, you began receiving the minimum allowance in effect at that time, in lieu of your regular monthly allowance, in July 2006.

(ii) You become eligible after July 1, 2006, you will begin receiving the minimum allowance, in lieu of your regular monthly allowance, the month in which you qualify.

(6) Will I receive cost-of-living adjustments (COLAs)? You will not receive the uniform COLA (based on your years of service credit) while you are receiving the minimum allowance.

(7) How long will I continue to receive the minimum allowance? You will receive the minimum allowance calculated under subsection (3) of this section, for your lifetime or until your regular retirement allowance, plus COLAs and other eligible adjustments, exceeds the minimum allowance. At that time you will automatically start receiving the higher allowance.

Example:

	<u>Regular Allowance (including COLAs and other eligible adjustments)</u>	<u>Adjusted Minimum Allowance</u>	<u>Actual Amount Paid</u>
<u>July 1, 2006</u>	<u>\$882.38 (allowance + COLAs)</u>	<u>\$896.10 (\$1,030 x .87)</u>	<u>\$896.10</u>
<u>July 1, 2007</u>	<u>\$914.63 (\$882.38 + COLA)</u>	<u>\$922.98 (\$1,060.90 x .87)</u>	<u>\$922.98</u>
<u>July 1, 2008</u>	<u>\$946.88 (\$914.63 + COLA)</u>	<u>\$950.67 (\$1,092.73 x .87)</u>	<u>\$950.67</u>
<u>July 1, 2009</u>	<u>\$979.13 (\$946.88 + COLA)</u>	<u>\$979.19 (\$1,125.51 x .87)</u>	<u>\$979.19</u>
<u>July 1, 2010</u>	<u>\$1,011.38 (\$979.13 + COLA)</u>	<u>\$1,008.57 (\$1,159.28 x .87)</u>	<u>\$1,011.38</u> <u>(reverts to regular allowance including COLAs)</u>

AMENDATORY SECTION (Amending WSR 04-20-004, filed 9/23/04, effective 10/24/04)

WAC 415-112-555 What is the TRS Plan 1 (~~"adjusted"~~) minimum (~~"benefit"~~) allowance? (~~((RCW 41.32.4851 entitles certain TRS Plan 1 retirees and beneficiaries to a minimum benefit of one thousand dollars, adjusted by the same actuarial reduction factors as were used to calculate their benefit at the time of retirement; or for beneficiaries, at the time benefit payments commenced.~~

~~(1) Do I qualify for the adjusted minimum benefit?~~

~~(a) Except as provided in (b) of this subsection:~~

~~(i) You qualify if you are a TRS Plan 1 retiree and you:~~

~~(A) Have at least twenty five years of TRS service credit;~~

~~(B) Have been retired at least twenty years; and~~

~~(C) Have a current retirement benefit, including adjustments, that is less than the amount of the adjusted minimum benefit.~~

~~(ii) You qualify if you are a TRS Plan 1 member's beneficiary, as defined in RCW 41.32.010 (5)(a), and:~~

~~(A) The member had at least twenty five years of TRS service credit;~~

~~(B) The member and/or beneficiary have been receiving benefits for at least twenty years; and~~

~~(C) Your current retirement benefit, including adjustments, is less than the amount of the adjusted minimum benefit.~~

~~(b) You do not qualify if you are receiving a temporary disability benefit under RCW 41.32.540.~~

~~(2) How is the amount of the adjusted minimum benefit calculated?~~ The benefit calculation starts with one thousand dollars and is adjusted by the same factors that were used to calculate the benefit at the time of retirement.

~~(3) What factors are used to calculate the amount of the adjusted minimum benefit?~~ The factors used to calculate the minimum benefit are:

~~(a) Annuity withdrawal;~~

~~(b) Early retirement;~~

~~(c) Automatic cost of living (COLA) increases chosen at retirement;~~

~~(d) Joint survivor option chosen at retirement;~~

~~(e) Extra contributions made by the member;~~

~~(f) Survivor percentage. See Example 2 in this subsection.~~

Example 1: At the time of retirement, Bill withdrew his contributions and chose a joint and 50%

~~survivor option, with Betty as his beneficiary. The \$1,000 minimum benefit will be adjusted by the same factors that were used to calculate Bill's original benefit, as follows:~~

((Minimum benefit per RCW 41.32.4851	\$1000.00
Reduction for contribution withdrawal	-\$140.00
Adjustment for the joint survivor option	-\$129.00
Bill's adjusted minimum benefit	\$731.00))

~~Example 2: Betty is Bill's beneficiary. After Bill's death, Betty receives 50% of the amount of his benefit. For Betty, the \$1,000 minimum benefit will be adjusted by the same factors that were used to calculate Bill's original benefit, and also by the survivor percentage (50%) chosen at the time of Bill's retirement:~~

Minimum benefit per RCW 41.32.4851	\$1000.00
Reduction for contribution withdrawal	-\$140.00
Adjustment for the joint survivor option	-\$129.00
Retiree's adjusted minimum benefit as calculated in Example 1	\$731.00
Survivor percentage (which, in this case, is 50% because of the survivor option selected at the time of retirement)	-\$365.50
Betty's adjusted minimum benefit	\$365.50

~~See WAC 415-02-300 through 415-02-380 for the tables, schedules, and factors the department uses to calculate benefits.~~

~~(4) If the adjusted minimum benefit is less than my current benefit, will my benefit be reduced? No, the department will compare the amount of the adjusted minimum benefit to your current benefit. You will always receive the higher of the two benefits.~~

~~(5) If I qualify for the adjusted minimum benefit, when will I begin to receive the higher benefit?~~

~~(a) If you meet the requirements as of July 1, 2004, you will begin receiving the adjusted minimum benefit, in lieu of your regular benefit, at the end of July 2004.~~

~~(b) If you qualify after July 1, 2004, you will automatically begin receiving the adjusted minimum benefit, in lieu of your regular benefit, at the end of the month in which you qualify.~~

~~(6) Will I continue to get cost of living increases (COLAs) if I receive the adjusted minimum benefit? No. Under the~~

~~provisions of RCW 41.32.4851, the adjusted minimum benefit will not be adjusted for COLAs.~~

~~(7) **How long will I continue to receive the adjusted minimum benefit?** You will receive the adjusted minimum benefit until your original retirement benefit, plus on going adjustments, exceeds the adjusted minimum benefit. At that time you will automatically start receiving the higher benefit.~~

~~Example: Joe retired with a survivor option, requiring an actuarial reduction of his monthly benefit (87% of full allowance). He received a 3% COLA each year. In 2004, Joe's retirement benefit was \$806.25. The following table shows how his benefit is compared to the adjusted minimum benefit from 2004 through 2008.~~

	Regular Benefit (including COLAs)	Adjusted Minimum Benefit (Fixed - No COLAs added)	Actual Amount Joe Received
2004	\$806.25 (benefit + COLAs)	\$870 (\$1,000 x .87)	\$870
2005	\$830.44 (\$806.25 + COLA)	\$870 (\$1,000 x .87)	\$870
2006	\$855.35 (\$830.44 + COLA)	\$870 (\$1,000 x .87)	\$870
2007	\$881.01 (\$855.35 + COLA)	No longer applicable	\$881.01
2008	\$907.44 (\$881.01 + COLA)	No longer applicable	\$907.44

~~This example assumes a three percent annual COLA.)) RCW 41.32.4851 entitles certain TRS Plan 1 retirees and beneficiaries to a minimum monthly allowance. Subsection (3) of this section provides the amount of the minimum allowance and explains how it may be adjusted.~~

~~(1) **Do I qualify for the minimum allowance?** Except as provided in subsection (2) of this section:~~

~~(a) You qualify if your current monthly allowance, excluding any amount you receive for an additional (optional) annuity based on extra contributions, is less than the minimum allowance calculated under subsection (3) of this section, and:~~

~~(i) You have twenty-five or more years of TRS Plan 1 service credit and have been retired at least twenty years; or~~

~~(ii) You have twenty or more years of TRS Plan 1 service credit and have been retired at least twenty-five years.~~

~~(b) You qualify if you are a TRS Plan 1 member's survivor beneficiary under WAC 415-112-504 and your current monthly allowance is less than the minimum allowance calculated under subsection (3) of this section, provided:~~

~~(i) The member had twenty-five or more years of TRS Plan 1 service credit and retired at least twenty years ago; or~~

~~(ii) The member had twenty or more years of TRS Plan 1 service credit and retired at least twenty-five years ago.~~

~~(2) **Do I qualify if I am receiving a temporary disability**~~

benefit? You do not qualify to receive the minimum allowance provided by this rule if you are currently receiving a temporary disability benefit under RCW 41.32.540.

(3) **How much is the minimum allowance in RCW 41.32.4851, and how is it adjusted?**

(a) **Minimum allowance.** The minimum allowance prior to July 1, 2006, was \$1000. On July 1, 2006, and each July 1 thereafter, the minimum allowance increases by three percent, rounded to the nearest cent.

(b) **Adjustment.** The minimum allowance in (a) of this subsection will be adjusted each July by the same factors that were otherwise used in the calculation of your monthly allowance, including, but not limited to:

- (i) Annuity withdrawal;
- (ii) Early retirement;
- (iii) Automatic cost-of-living (COLA) increases chosen at retirement;
- (iv) Joint survivor option chosen at retirement;
- (v) Survivor percentage. See Example 2 in this subsection.

Example 1: Bob retired in August 1986 with twenty-five years of service credit. Bob chose benefit option three, so that his wife, Betty, would receive a monthly allowance equal to 50% of his allowance after his death. In August 2006, Bob became eligible for the minimum allowance, calculated as follows:

Minimum allowance in August 2006 =		\$1,030.00
Minimum allowance, actuarially reduced for benefit option three	$\$1,030 \times 0.87$ (benefit option factor based on the difference in age between Bob and Betty) =	\$896.10

Example 2: When Bob died in August 2009, Betty's allowance was calculated using the minimum allowance in effect on the date of Bob's death. The minimum allowance was adjusted by the same factors used to calculate Bob's allowance at retirement and also by the survivor percentage (50%) chosen when Bob retired.

Minimum allowance in August 2009	(includes a 3% per year increase)	\$1,125.51
Actuarially reduced for benefit option three	$\$1,125.51 \times 0.87 =$	\$979.19
=		
Betty's adjusted minimum allowance	(50% of the allowance Bob was receiving)	\$489.60

The tables, schedules, and factors the department currently uses to calculate benefits are located in WAC 415-02-300 through

415-02-380. However, factors have changed over time, and your minimum allowance will be adjusted using the same factors that were used to calculate your current monthly allowance.

(4) If the minimum allowance is less than my current monthly allowance, will my monthly allowance be reduced? The department will compare the amount of the minimum allowance calculated under subsection (3) of this section with your current monthly allowance. You will always receive the higher of the two benefits.

(5) If I qualify for the minimum allowance, when will I begin to receive it?

(a) If your eligibility is based on meeting the requirements of subsection (1)(a)(i) or (b)(i) of this section, and:

(i) You were eligible on July 1, 2004, you began receiving the minimum allowance in effect at that time, in lieu of your regular monthly allowance, in July 2004.

(ii) You become eligible after July 1, 2004, you will begin receiving the minimum allowance, in lieu of your regular monthly allowance, the month in which you qualify.

(b) If your eligibility is based on meeting the requirements of subsection (1)(a)(ii) or (b)(ii) of this section, and:

(i) You were eligible on July 1, 2006, you began receiving the minimum allowance in effect at that time, in lieu of your regular monthly allowance, in July 2006.

(ii) You become eligible after July 1, 2006, you will begin receiving the minimum allowance, in lieu of your regular monthly allowance, the month in which you qualify.

(6) Will I receive cost-of-living adjustments (COLAs)? You will not receive the uniform COLA (based on your years of service credit) while you are receiving the minimum allowance.

(7) How long will I continue to receive the minimum allowance? You will receive the minimum allowance calculated under subsection (3) of this section for your lifetime or until your regular retirement allowance, plus COLAs and other eligible adjustments, exceeds your minimum allowance. At that time you will automatically start receiving the higher benefit.

Example:

	<u>Regular Allowance (including COLAs and other eligible adjustments)</u>	<u>Adjusted Minimum Allowance</u>	<u>Actual Amount Paid</u>
<u>July 1, 2006</u>	<u>\$882.38 (allowance + COLAs)</u>	<u>\$896.10</u> (\$1,030 x .87)	<u>\$896.10</u>
<u>July 1, 2007</u>	<u>\$914.63 (\$882.38 + COLA)</u>	<u>\$922.98</u> (\$1,060.90 x .87)	<u>\$922.98</u>
<u>July 1, 2008</u>	<u>\$946.88 (\$914.63 + COLA)</u>	<u>\$950.67</u> (\$1,092.73 x .87)	<u>\$950.67</u>

<u>July 1, 2009</u>	<u>\$979.13 (\$946.88 + COLA)</u>	<u>\$979.19 (\$1,125.51 x .87)</u>	<u>\$979.19</u>
<u>July 1, 2010</u>	<u>\$1,011.38 (\$979.13 + COLA)</u>	<u>\$1,008.57 (\$1,159.28 x .87)</u>	<u>\$1,011.38</u> <u>(reverts to regular</u> <u>allowance including</u> <u>COLAs)</u>